

Summary of statement of Lois Kazakoff, business news editor of The San Francisco Chronicle, regarding decimal stock pricing.

Prepared for the Subcommittee on Finance and Hazardous Materials of the Committee on Commerce of the U.S. House of Representatives and its April 10, 1997, hearing on decimal pricing and H.R. 1053: The Common Cents and Stock Pricing Act of 1997.

On November 12, 1996, The San Francisco Chronicle became the first major newspaper in the United States to present stock prices in dollars and cents instead of fractions. In so doing, The Chronicle challenged a 200-year-old tradition of the American stock exchanges.

Our readers convinced us to make the change. In September, 1996, we polled our readers as to whether they preferred the stock prices listed in fractions or in dollars and cents. Of over 1,600 responses, 62 percent said they wanted to see the prices listed in the plain terms of everyday life: dollars and cents.

The question to convert the prices arose when The Chronicle began a project to update and revamp its financial tables. We knew that younger and less experienced investors were using our tables more than in the past. We also knew that we needed to find away to present the information in a form that was easier to understand. Due to changes in pension plans, and the allure of the longest bull market in history, more of our readers were becoming investors than savers.

Readers have applauded our move to dollars and cents listings, only asking, "What took so long?"

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On November 12, 1996, The San Francisco Chronicle took the radical step of presenting stock prices in dollars and cents instead of in fractions of a dollar. In doing so, The Chronicle challenged a practice, unique to U.S. stock exchanges, that dates back to Colonial America when the Spanish dollar was common currency and change was made by breaking the coin into "pieces of eight."

The decision to break with tradition was not made lightly. The stock exchanges are, after all, still trading in eighths, 16ths and 32nds -- we are merely converting those fractions into their decimal equivalents. The leaders in the financial news industry, The Wall Street Journal and The New York Times, are still presenting stock prices as fractions. The Chronicle certainly couldn't afford to lose any of our 500,000 daily readers or credibility in the marketplace by making an unwanted or ill-advised change of such magnitude.

It was our readers who convinced us the change would be welcomed. In September, 1996, we ran a poll, with samples of what the new stock listings would look like, in the middle of our stock tables. We asked readers to tell us -- either , mail or e-mail -- whether they preferred the prices expressed as fractions or dollars and cents. Of 1,647 responses, 62 percent said they wanted to see prices listed in the plain terms of everyday life: dollars and cents.

William N. Snell, a reader from Fresno wrote, "Enclosed is my ballot voting in favor of the decimal system for stock quotes. There must be many, many investors like me who keep stock records on a computer using spreadsheets that show all kinds of information with formulas to automatically do the calculations. Under the old system, the quotes had to be converted to decimals because a computer cannot do mathematics by fractions. The new system will be a boon to me and these others."

Corrin E. Botto, a reader from Sutter Creek, wrote, "Great idea! It's about time! I have been waiting patiently for this for a long time. Your paper is the best."

Also, Robert G. Lopez, a reader from Glen Ellen, wrote, “Having written some critical letters to you in the past, I would like now to congratulate you. Listing the prices of stocks in dollars and cents is LONG overdue. When I have raised this point with any one (brokers, Louis Rukeyser’s program, e.g.), the answer has always boiled down to “It’s done that way because that’s the way it’s done.” Eighths were bad enough, but when we started getting such stock listings as 19 17/64, common sense had vanished. I hope that the poll supports this change, and that you implement it soon.”

Despite our market research and poll, we were worried the day we actually launched the new tables in November. We prepared for an outpouring of outrage. We directed readers to comment via e-mail or fax and beefed up the ranks of the editorial assistants to answer a flood of calls.

We could have skipped building the ark. There was no torrent, just a trickle. Yes, we received letters and calls, about 100. Of those, roughly half disliked the change. And most of those complained not about the decimals themselves, but the fact that we rounded them up to two places instead of three.

For example, 1/8 becomes 13 cents instead of the more accurate 12.5 cents. Readers point out that rounding up does not accurately reflect the price down to the penny that investors pay or receive when they buy or sell stocks. We regret the rounding, but simply don’t have the space for three decimal places.

How did it ever occur to us to even consider abandoning the fractions? The question was raised when I was asked to make a major overhaul of our financial listings, a project where I examined everything from content, to the size of the type, to the computer system The Chronicle uses to produce the tables.

Over the course of months, I talked to dozens of people in the financial services industry, including stock brokers, money managers, investor relations specialists, investor advocates, mutual fund managers and financial data providers, including Tribune Media Services and the Associated Press. I conducted an early poll, asking readers about what kinds of information they valued most in the stock tables.

We knew, just from the nature of the calls we were receiving, that more younger, less experienced investors were using our tables and that many were tracking their stock portfolios on home computers. Industry studies, most notably the NASDAQ Stock Market report released last month, has confirmed that the stock market is attracting younger investors.

We also knew that, in addition to the move to new, defined-contribution pension plans that require employees to decide how their retirement funds, that many companies were paying their employees in stock and stock options. This is particularly popular in the San Francisco Bay Area, where companies are coming into the public markets at the rate of two or three a week. There are currently 491 publicly traded companies with headquarters in the Bay Area.

The real clue that readers would find dollars and cents easier to understand came from our data suppliers. When I inquired if any other newspapers were presenting stock tables in dollars and cents, I was told no but that a smaller vendor, Media General, had once provided small, regional stock tables in dollars and cents, apparently for technical reasons. When the company left that business, and the Associated Press and Tribune Media Services started providing the tables with the prices in fractions, readers complained and demanded to have the dollars and cents restored.

The Chronicle's experience would indicate that investors across the country would feel the same way.